

IRS REVISES VOLUNTARY DISCLOSURE PRACTICE

WASHINGTON – Internal Revenue Service officials announced on December 11, 2002, they have revised and updated a key practice that assists agency investigators in determining whether a case is recommended for criminal prosecution.

Specifically, a taxpayer's timely, voluntary disclosure of a substantial unreported tax liability has long been an important factor in deciding whether the taxpayer's case should ultimately be referred for criminal prosecution. The practice has been modernized to allow more taxpayers to voluntarily comply with their obligations and to reduce the uncertainty over what constitutes a "timely" disclosure.

A series of examples illustrate the new standards of timeliness and should help eliminate confusion over when a voluntary disclosure will be viewed as timely. For example, general publicity regarding enforcement and compliance efforts will not bar a taxpayer from making a voluntary disclosure.

"Sound tax administration, including the possible use of criminal prosecution, requires as much clarity as possible," said Bob Wenzel, Acting IRS Commissioner. "We want taxpayers, as well as their tax advisers, to better understand the steps they can take and the circumstances in which they can get back into compliance with the tax laws."

As before, the practice requires the taxpayer to make good faith arrangements with the IRS to pay in full the tax, interest, and any applicable penalties as determined by the IRS. This disclosure practice does not apply to those with income from illegal sources.

The revised practice continues to be a matter of internal IRS use and creates no substantive or procedural rights. As in the past, it is provided solely for the guidance of IRS personnel. A voluntary disclosure will not automatically guarantee immunity from prosecution.

For more information read the [Internal Revenue Manual for Voluntary Disclosure](#).